

**STATE OF MCHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

**The Guarantee Company of North America USA
25800 Northwestern Highway
Suite 720
Southfield, MI 48075**

Enforcement Case No. 08-5767

Respondent

_____ /

Issued and entered
on February 19, 2009
Stephen R. Hilker
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

It is alleged that the following statements are true and correct:

1. At all pertinent times, Guarantee Company of North America USA ("Respondent") was a licensed resident producer authorized to transact the business of insurance in this state.
2. As a licensed property and casualty insurer, Respondent knew or had reason to know that Section 1341(3)(a) of the Code, MCL 500.1341(3)(a), provides:
 - (3) A domestic insurer and any person in its holding company system shall not enter into the following transactions with each other unless the insurer has notified the commissioner in writing of its intention to enter into the transaction at least 30 days, or a shorter period as the commissioner allows, prior to entering into the transaction and the commissioner has not disapproved it within that period:
 - (a) "transactions that would be greater than the lesser of 3% of an insurer's assets or 25% of surplus be approved by the

Commissioner at least 30 days before entering into the transaction.”

3. As a licensed life, accident, and health insurer, Respondent knew or had reason to know that Section 115 of the Code, MCL 500.115, describes an affiliate as a person that directly, or indirectly, through one or more intermediaries, is under the common control of another person. Section 115 further describes control as the power to exercise, directly or indirectly, a controlling influence over the management or policies of the company, as the Commissioner determines.

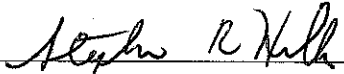
COUNT I

4. Respondent is wholly owned by The Guarantee Company of North America (US) Holdings (“Holdings”), which in turn is wholly owned by The Guarantee Company of North America (“GCNA”). Since GCNA is the owner of Holdings, who in turn owns the Respondent, the entities are subject to the filing requirements of Chapter 13 of the Code (including Section 1341).
5. Respondent and Holdings entered into a loan agreement in December 2007, in which Holdings would loan \$48.0 million to the Respondent, which represented 28.6% of assets and 43.7% of surplus as of December 31, 2007.
6. Respondent submitted a Form D to OFIR dated November 26, 2007, for the \$48.0 million loan from Holdings to the Respondent but failed to include the loan agreement. OFIR requested the loan agreement on December 14, 2007, and a second request was made on January 4, 2008. Respondent submitted the loan agreement on January 7, 2008, which resulted in OFIR requesting changes to be made. The initial request for changes was made on January 14, 2008, with subsequent requests being made on January 29, 2008 and February 6, 2008. Respondent submitted the requested changes on February 8, 2008, but again changes were requested by OFIR on February 13, 2008 and February 27, 2008.
7. Prior to receiving the requested changes, OFIR received Respondent’s 2007 annual statement and discovered that the Respondent had completed the loan from Holdings on December 31, 2007, without the required approval from OFIR of the loan agreement.
8. OFIR requested additional inquiries regarding the status of the loan agreement on March 3, 2008, March 12, 2008, and March 13, 2008 and gave the Respondent until March 31, 2008, to file the amended loan agreement or the request for the loan approval would be formally denied. Respondent filed the amended loan agreement on March 19, 2008, which OFIR approved on March 20, 2008.
9. Respondent’s failure to submit its written agreement to OFIR for approval at least 30 days before the effective date constituted a violation of Section 1341(3)(a) of the Code.
10. Respondent is subject to a penalty under Section 150 and/or Section 1371 of the Code, MCL 500.150 and MCL 500.1371, for violating Section 1341(3)(a) of the Code, MCL 500.1341(3)(a).

B. ORDER

Based on the findings of fact and conclusions of law above and Respondent's stipulation, it is **ORDERED** that:

1. Respondent shall immediately cease and desist from operating in such a manner as to violate Section 1341(3)(a) of the Code, MCL 500.1341(3)(a).
2. Respondents shall pay to the State of Michigan a civil fine of \$5,000. Upon execution of this Order, OFIR will send Respondent an invoice for the civil fine, which shall be due within 30 days of issuance of the invoice.



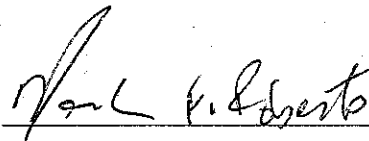
Stephen R. Hilker
Chief Deputy Commissioner

Dated: 2/19/09

C. STIPULATION

Respondent have read and understand the consent order above. Respondent agrees that the Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. Respondent waive the right to a hearing in this matter if this consent order is issued. Respondent understands that this stipulation and consent order will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this consent order. Respondent waives any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. Respondent admits to the findings of fact and conclusion of laws set forth in the above consent order and agrees to the entry of this order.

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Chief Deputy Commissioner issue the above consent order.



Marlon F. Roberts
Staff Attorney

Dated: 2/18/2009